

January 15, 2003

**MEMORANDUM**

TO: Chief Accountants and Human Resources Officers  
All State Agencies

FROM: Richard T. Lowe, Director  
Financial Operations Division  
Office of Financial Management

SUBJECT: **Change in "Premium" Mileage Rate**  
**Change in Taxable Value-Personal Use of State Vehicle**

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The Internal Revenue Service has decreased the standard mileage rate from 36.5 cents to 36 cents effective January 1, 2003. The State "premium" mileage reimbursement rate also decreases from 36.5 cents to 36 cents on January 1, 2003.

This change will affect your agency in two ways.

- The rate used to calculate and report, as a taxable fringe benefit, employees' **personal** use of state vehicles.
- Reimbursement rate for premium mileage.

**Summary Information**

**Personal Use of State Vehicle**

Valuation of the personal use of a state vehicle, for W-2 reporting purposes, will be at the new federal rate of 36 cents per mile beginning January 1, 2003.

**Travel Reimbursement**

Employee mileage reimbursement under the new state premium rate of 36 cents per mile is neither taxable nor subject to withholding. Any other approved mileage rate exceeding 36 cents per mile will be taxable to the extent that it exceeds 36 cents per mile.

### **Instructions**

#### Personal Use of State Vehicle

Agencies need take no additional action. OFM will change the HRMN calculation rate.

The amount will automatically be calculated when Human Resource Offices enter the number of miles reported with pay code 1MIL on form PR36.1 in HRMN.

#### Travel Reimbursement

OFM will change the appropriate travel rate tables. Agencies that use Travel Option A should select the appropriate travel rate code when processing the reimbursement request.

Agencies that use Travel Option B must change their premium mileage from 36.5 cents per mile to 36 cents per mile.

The applicable Comptroller Object Codes are listed below:

#### **In-State Travel:**

##### **COBJ**

##### **(D10)**                      **Comptroller Object Code Title**

<b>4815</b>	<b>PREMIUM MILEAGE-NONTAXABLE-IN STATE</b>
<b>4816</b>	<b>PREMIUM MILEAGE-TAXABLE-IN STATE</b> (Portion in excess of the federal rate)
<b>4817</b>	<b>PRM MILE-NONTAX PORTION OF TAXABLE-IN ST</b> (Portion equal to the federal rate)

#### **Out-Of-State Travel:**

##### **COBJ**

##### **(D10)**                      **Comptroller Object Code Title**

<b>4870</b>	<b>PREMIUM MILEAGE-NONTAXABLE-OUT OF STATE</b>
<b>4871</b>	<b>PREMIUM MILEAGE-TAXABLE-OUT OF STATE</b> (Portion in excess of the federal rate)
<b>4872</b>	<b>PRM MILE-NONTAX PORTION OF TAXABLE-OS</b> (Portion equal to the federal rate)

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**Note:** Comptroller object codes 4816 & 4817 and 4871 & 4872 are used in conjunction with one another. Only the portion of reimbursement (4816 and 4871) in excess of the federally allowable rate will be included in the employees' taxable earnings.

Please refer any questions you may have regarding this memo to the Financial Operations Division, Jeremy Piggott at (517) 335-1612.

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